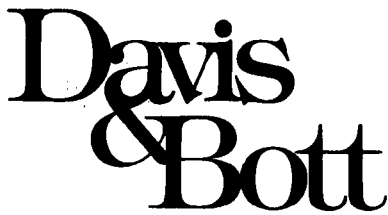


**Mantua Town**  
**June 30, 2006**

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Certified Public Accountants, L.C.

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Tremonton, Utah 84337  
435-257-5486

The Honorable Mayor and  
Members of the Town Council  
Mantua Town  
Mantua, UT 84324

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Mantua, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

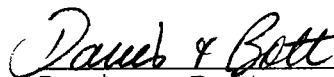
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report  
Mantua Town  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2007, on our consideration of Mantua, Utah's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and on page 37, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
January 2, 2007

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2006**

As management of Mantua, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- A The assets of the Town exceeded its liabilities at June 30, 2006, by \$1,143,074. Of this amount, unrestricted net assets of \$211,119 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B The total net assets increased by \$57,049 over the prior year. Of this amount, \$43,569 was associated with governmental and \$13,480 with business-type activities.
- C As of June 30, 2006, the Town's general fund reported an ending fund balance of \$84,168, a decrease of \$16,997 in comparison with the prior year. All of this amount is unreserved and available for spending, and represents 17 percent of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

*See Independent Auditors' Report*

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, roads, parks and cemetery. The business-type activities of the Town consist of culinary water, sewer and garbage collection.

The government-wide financial statements include only the Town itself (known as the primary government). There are no component units that should be reported in the Town's financial statements.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions.

*See Independent Auditors' Report*

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town maintains one governmental fund. The Town adopts a one-year budget for its governmental fund. A budgetary comparison statement has been provided.

**Proprietary Funds.** The Town maintains only one type of proprietary fund; namely, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water, the sewer and the garbage utility funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2006, the Town's assets exceeded liabilities by \$1,143,074. By far, the largest portion of the Town's net assets (77 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2004</u>
Current and other						
assets	\$ 213,414	\$ 206,720	\$ 180,948	\$ 167,121	\$ 394,362	\$ 373,841
Capital assets	<u>285,449</u>	<u>228,286</u>	<u>1,054,364</u>	<u>1,078,231</u>	<u>1,339,813</u>	<u>1,306,517</u>
Total assets	<u>498,863</u>	<u>435,006</u>	<u>1,235,312</u>	<u>1,245,352</u>	<u>1,734,175</u>	<u>1,680,358</u>
Long-term						
liabilities						
outstanding	-	-	432,694	465,956	432,694	465,956
Other liabilities	<u>103,580</u>	<u>83,292</u>	<u>54,827</u>	<u>45,085</u>	<u>158,407</u>	<u>128,377</u>
Total						
liabilities	<u>103,580</u>	<u>83,292</u>	<u>487,521</u>	<u>511,041</u>	<u>591,101</u>	<u>594,333</u>
Net assets:						
Investment in						
capital assets,						
net of related						
debt	285,449	228,286	589,061	579,927	874,510	808,213
Restricted	-	-	57,445	57,445	57,445	57,445
Unrestricted	<u>109,834</u>	<u>123,428</u>	<u>101,285</u>	<u>96,939</u>	<u>211,119</u>	<u>220,367</u>
Total net						
assets	<u>\$ 395,283</u>	<u>\$ 351,714</u>	<u>\$ 747,791</u>	<u>\$ 734,311</u>	<u>\$ 1,143,074</u>	<u>\$ 1,086,025</u>

The unrestricted net assets of \$211,119 (18 percent) may be used to meet the Town's ongoing obligations to citizens and creditors. At June 30, 2006, the Town was able to report positive balances in both categories of net assets both for the government as a whole, as well as for its individual governmental and business-type activities.

*See Independent Auditors' Report*

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for						
services	\$ 172,318	\$ 153,648	\$ 185,604	\$ 175,986	\$ 357,922	\$ 329,634
Operating grants						
and contributions	112,100	43,335	-	1,149	112,100	44,484
Capital grants and						
contributions	4,000	16,434	-	-	4,000	16,434
General revenues:						
Property taxes	69,140	70,961	-	-	69,140	70,961
Other taxes	79,739	66,468	-	-	79,739	66,468
Other	<u>35,311</u>	<u>32,966</u>	<u>3,354</u>	<u>2,352</u>	<u>38,665</u>	<u>35,318</u>
Total revenues	<u>472,608</u>	<u>383,812</u>	<u>188,958</u>	<u>179,487</u>	<u>661,566</u>	<u>563,299</u>
Expenses:						
General government	271,820	217,207	-	-	271,820	217,207
Public safety	103,746	66,160	-	-	103,746	66,160
Streets and public						
works	41,748	55,185	-	-	41,748	55,185
Parks and						
recreation	11,725	11,171	-	-	11,725	11,171
Water utility	-	-	65,306	67,956	65,306	67,956
Sewer utility	-	-	81,995	88,637	81,995	88,637
Garbage utility	-	-	<u>28,177</u>	<u>27,498</u>	<u>28,177</u>	<u>27,498</u>
Total expenses	<u>429,039</u>	<u>349,723</u>	<u>175,478</u>	<u>184,091</u>	<u>604,517</u>	<u>533,814</u>
Increase in net assets						
before transfers	43,569	34,089	13,480	(4,604)	57,049	29,485
Transfers	<u>-</u>	<u>21,169</u>	<u>-</u>	<u>(21,169)</u>	<u>-</u>	<u>-</u>
Change in net assets	43,569	55,258	13,480	(25,773)	57,049	29,485
Net assets - beginning	<u>351,714</u>	<u>296,456</u>	<u>734,311</u>	<u>760,084</u>	<u>1,086,025</u>	<u>1,056,540</u>
Net assets - ending	<u>\$ 395,283</u>	<u>\$ 351,714</u>	<u>\$ 747,791</u>	<u>\$ 734,311</u>	<u>\$ 1,143,074</u>	<u>\$ 1,086,025</u>

*See Independent Auditors' Report*

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

**Governmental and Business-Type Activities.** Governmental activities increased the Town's net assets by \$43,569. When combined with the \$13,480 increase in net assets from business-type activities, overall net assets increased by \$57,049 or 5 percent.

The increase in governmental net assets was due mainly to recognizing grant revenue and capitalizing purchases. The increase in the business-type activities was due mainly to forgiving prior loans to more water overages with a dryer year.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Fund.** The purpose of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund and only governmental fund. At June 30, 2006, unreserved fund balance of the general fund was \$84,168, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved (and total) general fund balance represents 17 percent of total general fund expenditures. During the fiscal year ended June 30, 2006, the fund balance of the Town's general fund decreased by \$16,997.

**Business-Type Funds.** The water utility fund's net assets increased by \$10,421. This was due mainly to higher water overages.

The sewer fund's net assets decreased by \$1,877. The garbage fund's net assets increased by \$4,936.

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was amended due mainly to a grant in the Fire Department being received and spent.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's capital assets for its governmental and business-type activities amounted to \$1,339,813 (net of accumulated depreciation) at June 30, 2006. Capital assets include land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total increase in the Town's capital assets for the fiscal year ended June 30, 2006, was \$33,295, an increase of 25 percent for governmental activities and a decrease of 2 percent for business-type activities.

**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 52,780	\$ 52,780	\$ 17,100	\$ 17,100	\$ 69,880	\$ 69,880
Buildings	100,008	84,933	37,412	43,343	137,420	128,276
Improvements other than buildings	25,557	26,945	945,997	984,788	971,554	1,011,733
Equipment	107,104	63,628	-	-	107,104	63,628
Construction in progress	-	-	53,855	33,000	53,855	33,000
Net capital assets	<u>\$ 285,449</u>	<u>\$ 228,286</u>	<u>\$ 1,054,364</u>	<u>\$ 1,078,231</u>	<u>\$ 1,339,813</u>	<u>\$ 1,306,517</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 29 and 30 of this report.

**Long-term debt.** At June 30, 2006, the Town had \$450,303 in outstanding revenue bonds and \$15,000 in unsecured notes payable.

*See Independent Auditors' Report*

**Mantua Town**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Year Ended June 30, 2006**

**Outstanding Debt**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue bonds	\$ -	\$ -	\$450,303	\$478,304	\$450,303	\$478,304
Notes payable	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>20,000</u>	<u>15,000</u>	<u>20,000</u>
Total	\$ <u>-</u>	\$ <u>-</u>	\$ <u>465,303</u>	\$ <u>498,304</u>	\$ <u>465,303</u>	\$ <u>498,304</u>

Total long-term debt decreased by \$33,001 for the year ended June 30, 2006.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Mantua, Utah, has placed a moratorium on approval of water hookups. The reason for this moratorium is the lack of water currently available. The affects of this action will include a decrease in impact fees and building permits. The Town is currently drilling a test well. A federal grant has been secured to reimburse 75 percent of the costs of constructing a new well up to a maximum reimbursement of \$465,000. A bond has been secured from the state of Utah for \$140,000 to provide funds for much of the remaining costs. The water rates were increased from \$18 per month to \$24 per month starting in November, 2005, to provide funds to repay the debt.

The Town also received a federal grant of \$221,539 to provide for up to 95 percent of the cost of a fire truck.

*See Independent Auditors' Report*

**Mantua Town**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$118,688	\$ 103,067	\$ 221,755
Accounts receivable - net	-	24,986	24,986
Due from other governmental units	81,658	-	81,658
Prepaid expenses	8,518	-	8,518
Internal balances	4,550	(4,550)	-
Restricted cash and investments	-	57,445	57,445
capital assets (net of accumulated depreciation)			
Land	52,780	17,100	69,880
Buildings	100,009	37,412	137,421
Improvements	25,557	945,997	971,554
Equipment	107,103	-	107,103
Construction in progress	-	53,855	53,855
Total assets	<u>498,863</u>	<u>1,235,312</u>	<u>1,734,175</u>
LIABILITIES			
Accounts payable and accrued liabilities	32,966	13,557	46,523
Due to other governments	5,240	4,200	9,440
Interest payable	-	4,461	4,461
Current portion of long-term debt	-	32,609	32,609
Deferred revenue	63,374	-	63,374
Deposits	2,000	-	2,000
Notes payable	-	15,000	15,000
Revenue bonds payable	-	417,694	417,694
Total liabilities	<u>103,580</u>	<u>487,521</u>	<u>591,101</u>
NET ASSETS			
Invested in capital assets, net of related debt	285,449	589,061	874,510
Restricted - debt service	-	57,445	57,445
Unrestricted	<u>109,834</u>	<u>101,285</u>	<u>211,119</u>
Total net assets	<u>\$395,283</u>	<u>\$ 747,791</u>	<u>\$1,143,074</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental activities:</b>						<b>Total</b>
General government	\$ 271,820	\$ 145,678	\$ -	\$ 4,000	\$ (122,142)	\$ (122,142)
Public safety	103,746	12,820	67,937	-	(22,989)	(22,989)
Streets and public works	41,748	-	44,163	-	2,415	2,415
Parks and recreation	11,725	13,820	-	-	2,095	2,095
	429,039	172,318	112,100	4,000	(140,621)	(140,621)
<b>Business-type activities:</b>						
Water utility	65,306	74,106	-	-	-	8,800
Sewer utility	81,995	78,385	-	-	-	(3,610)
Garbage utility	28,177	33,113	-	-	-	4,936
	175,478	185,604	-	-	-	10,126
<b>Total primary government activities</b>	<b>\$ 604,517</b>	<b>\$ 357,922</b>	<b>\$ 112,100</b>	<b>\$ 4,000</b>	<b>(140,621)</b>	<b>(130,495)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes					69,140	69,140
General sales and use taxes					66,246	66,246
Other					13,493	13,493
Rental income					31,055	31,055
Unrestricted investment earnings					4,256	7,610
<b>Total general revenues and transfers</b>					<b>184,190</b>	<b>187,544</b>
Change in net assets					43,569	57,049
Net assets - beginning					351,714	1,086,025
Net assets - ending					\$ 395,283	\$ 1,143,074

The accompanying notes are an integral part of these statements.

**Mantua Town**  
**Balance Sheet - Governmental Fund**  
**June 30, 2006**

	General <u>Fund</u>
ASSETS	
Cash and investments	\$ 118,688
Intergovernmental receivables (net):	
Property tax	57,101
Sales tax	13,235
Class "C" road money	9,315
Telephone tax	2,007
Interfund receivable	4,550
Prepaid expense	<u>8,518</u>
 Total assets	 <u>\$ 213,414</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 32,966
Due to other governments	5,240
Deposits	2,000
Deferred revenue	<u>89,040</u>
 Total liabilities	 <u>129,246</u>
Fund balance:	
Unreserved	<u>84,168</u>
 Total fund balance	 <u>84,168</u>
 Total liabilities and fund balance	 <u>\$ 213,414</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Reconciliation of the Balance Sheet of the Governmental Fund**  
**to the Statement of Net Assets**  
**June 30, 2006**

Total fund balance - governmental fund types	\$ 84,168
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	285,449
Revenues not considered available are deferred in the funds.	<u>25,666</u>
Net assets of government activities	<u>\$ 395,283</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balance - Governmental Fund**  
**For the Year Ended June 30, 2006**

	General Fund
Revenues:	
Taxes	
Property	\$ 69,610
Sales and use	63,847
Other	13,538
Licenses and permits	9,384
Intergovernmental	114,581
Charges for services	135,978
Rental income	31,055
Miscellaneous revenue	28,462
Interest earnings	4,256
Total revenues	<u>470,711</u>
Expenditures:	
Current:	
General government	288,891
Public safety	155,468
Streets and public works	34,266
Parks and recreation	9,083
Total expenditures	<u>487,708</u>
(Deficiency) of revenues over expenditures	<u>(16,997)</u>
Fund balance - beginning of year	<u>101,165</u>
Fund balance - end of year	<u>\$ 84,168</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of the Governmental Fund to the**  
**Statement of Activities**  
**June 30, 2006**

Amounts reported for governmental  
activities in the statement of  
activities are different because:

Net changes in fund balance - total governmental fund	\$ (16,997)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	57,163
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<u>3,403</u>
--	--------------

Change in net assets of govern- mental activities	<u>\$ 43,569</u>
--	------------------

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 10,950	\$ 71,495	\$20,622	\$ 103,067
Accounts receivable - net	<u>10,925</u>	<u>9,753</u>	<u>4,308</u>	<u>24,986</u>
Total current assets	<u>21,875</u>	<u>81,248</u>	<u>24,930</u>	<u>128,053</u>
Noncurrent assets:				
Restricted cash and investments	45,757	11,688	-	57,445
Capital assets (net of accumulated depreciation):				
Land	17,100	-	-	17,100
Buildings	37,412	-	-	37,412
Improvements	548,542	397,455	-	945,997
Construction in progress	<u>53,855</u>	<u>-</u>	<u>-</u>	<u>53,855</u>
Total noncurrent assets	<u>702,666</u>	<u>409,143</u>	<u>-</u>	<u>1,111,809</u>
Total assets	<u>724,541</u>	<u>490,391</u>	<u>24,930</u>	<u>1,239,862</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	7,325	3,901	2,331	13,557
Due to other governments	-	4,200	-	4,200
Interest payable	4,461	-	-	4,461
Interfund payable	4,326	224	-	4,550
Current portion of long-term debt	<u>26,778</u>	<u>5,831</u>	<u>-</u>	<u>32,609</u>
Total current liabilities	<u>42,890</u>	<u>14,156</u>	<u>2,331</u>	<u>59,377</u>
Noncurrent liabilities:				
Note payable	15,000	-	-	15,000
Revenue bonds payable	<u>305,561</u>	<u>112,133</u>	<u>-</u>	<u>417,694</u>
Total noncurrent liabilities	<u>320,561</u>	<u>112,133</u>	<u>-</u>	<u>432,694</u>
Total liabilities	<u>363,451</u>	<u>126,289</u>	<u>2,331</u>	<u>492,071</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	309,570	279,491	-	589,061
Restricted - debt service	45,757	11,688	-	57,445
Unrestricted	<u>5,763</u>	<u>72,923</u>	<u>22,599</u>	<u>101,285</u>
Total net assets	<u>\$361,090</u>	<u>\$364,102</u>	<u>\$22,599</u>	<u>\$ 747,791</u>

The accompanying notes are an integral part of these statements.

**Mantua Town**  
**Statement of Revenues, Expenses and Changes in Fund Net**  
**Assets - Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Garbage</u> <u>Utility</u>	<u>Total</u>
Operating revenues				
Monthly charges	\$ 74,106	\$ 78,385	\$33,113	\$185,604
Total operating revenues	<u>74,106</u>	<u>78,385</u>	<u>33,113</u>	<u>185,604</u>
Operating expenses:				
Salaries and wages	10,039	335	-	10,374
Contracted services	-	50,200	28,177	78,377
Materials and supplies	2,479	-	-	2,479
Insurance	150	3,786	-	3,936
Maintenance and repairs	4,513	3,854	-	8,367
Miscellaneous	99	342	-	441
Utilities	6,764	-	-	6,764
Professional services	1,259	3,246	-	4,505
Depreciation	29,777	14,947	-	44,724
Total operating expenses	<u>55,080</u>	<u>76,710</u>	<u>28,177</u>	<u>159,967</u>
Operating income	<u>19,026</u>	<u>1,675</u>	<u>4,936</u>	<u>25,637</u>
Nonoperating revenues (expenses):				
Interest revenue	1,621	1,733	-	3,354
Interest expense	(10,226)	(5,285)	-	(15,511)
Total nonoperating revenues	<u>(8,605)</u>	<u>(3,552)</u>	<u>-</u>	<u>(12,157)</u>
Change in net assets	10,421	(1,877)	4,936	13,480
Total net assets - beginning	<u>350,669</u>	<u>365,979</u>	<u>17,663</u>	<u>734,311</u>
Total net assets - ending	<u>\$361,090</u>	<u>\$364,102</u>	<u>\$22,599</u>	<u>\$747,791</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 70,812	\$ 77,975	\$ 32,698	\$181,485
Payments to suppliers	(9,686)	(57,625)	(28,079)	(95,390)
Payments to employees	(8,751)	(1,103)	-	(9,854)
Net cash provided by operating activities	<u>52,375</u>	<u>19,247</u>	<u>4,619</u>	<u>76,241</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(20,856)	-	-	(20,856)
Principal paid on capital debt	(26,598)	(6,402)	-	(33,000)
Interest paid on capital debt	(10,226)	(5,285)	-	(15,511)
Net cash used in capital and related financing activities	<u>(57,680)</u>	<u>(11,687)</u>	<u>-</u>	<u>(69,367)</u>
Cash flows from investing activities:				
Interest and dividends received	<u>1,621</u>	<u>1,733</u>	<u>-</u>	<u>3,354</u>
Net cash provided by investing activities	<u>1,621</u>	<u>1,733</u>	<u>-</u>	<u>3,354</u>
Net increase (decrease) in cash and cash equivalents	(3,684)	9,293	4,619	10,228
Cash and cash equivalents - beginning	<u>60,391</u>	<u>73,890</u>	<u>16,003</u>	<u>150,284</u>
Cash and cash equivalents - ending	<u>\$ 56,707</u>	<u>\$ 83,183</u>	<u>\$ 20,622</u>	<u>\$160,512</u>
Cash and cash equivalents	\$ 10,950	\$ 71,495	\$ 20,622	\$103,067
Restricted cash and investments	<u>45,757</u>	<u>11,688</u>	<u>-</u>	<u>57,445</u>
Total cash and cash equivalents	<u>\$ 56,707</u>	<u>\$ 83,183</u>	<u>\$ 20,622</u>	<u>\$160,512</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 19,026	\$ 1,675	\$ 4,936	\$ 25,637
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	29,777	14,947	-	44,724
(Increase) in accounts receivable	(3,294)	(410)	(415)	(4,119)
Increase (decrease) in:				
Accounts payable	5,578	3,783	98	9,459
Interfund payable	1,288	(768)	-	520
Due to other governments	-	20	-	20
Total adjustments	<u>33,349</u>	<u>17,572</u>	<u>(317)</u>	<u>50,604</u>
Net cash provided by operating activities	<u>\$ 52,375</u>	<u>\$ 19,247</u>	<u>\$ 4,619</u>	<u>\$ 76,241</u>

*The accompanying notes are an integral part of these statements.*

**Mantua Town**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Fund Accounting

Mantua, Utah, is governed by an elected mayor and four council members. The Town has determined it has no component units.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected by year end. Expenditures are recorded when the related fund liability is incurred.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town's only governmental fund is the general fund. The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has three proprietary funds - the water utility fund, the sewer utility fund and the garbage utility fund.

*See Independent Auditors' Statement.*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Cash Equivalents

For purposes of the statement of cash flows, Mantua Town considers all certificates of deposit and restricted cash to be cash equivalents. Investments, which consists only of money invested in the Utah Public Treasurer's Investment Fund, is also considered to be a cash equivalent.

E. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

F. Capital Assets

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting system placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings .....	30 - 50 years
Improvements .....	10 - 50 years
Equipment .....	3 - 10 years

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Budget and Budgetary Accounting

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended in accordance with Utah law.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Restricted Resources

The Town applies restricted resources first when an eligible expense is incurred.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the deposit of the Town's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, the Town's carrying amount of deposits was \$234,178 and the bank balance was \$236,434. Of the bank balance, \$100,000 was covered by federal depository insurance and \$136,434 was uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

These statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the types of authorized investments.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees - of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment Pool is approximately equal to the value of the Pool shares.

As of June 30, 2006, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$45,022	\$45,022			

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2006, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$45,022				\$45,022

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable.

**NOTE 3. RESTRICTED CASH AND INVESTMENTS**

The revenue bonds require that certain reserves and/or sinking funds be maintained to assure payment of the bonds as they become due. Mantua Town is maintaining the following restricted cash and investment accounts:

\$412,000 1999 water bonds (Water Resources Board) reserve	\$ 40,863
\$61,000 water bonds (Water Resources Board) reserve	4,894
\$200,000 sewer bonds (GMAC) reserve	<u>11,688</u>
Total restricted cash and investments	<u>\$ 57,445</u>

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 4. FIXED ASSETS**

The following is a summary of changes in the capital assets during the fiscal year:

***Governmental Activities:***

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 52,780	\$ -	\$ -	\$ 52,780
Capital assets being depreciated:				
Buildings	120,249	18,739	-	138,988
Improvements	27,754	-	-	27,754
Machinery and equipment	<u>249,528</u>	<u>67,134</u>	<u>4,763</u>	<u>311,899</u>
Total capital assets being depreciated	<u>397,531</u>	<u>85,873</u>	<u>4,763</u>	<u>478,641</u>
Less accumulated depreciation:				
Buildings	35,316	3,664	-	38,980
Improvements	809	1,388	-	2,197
Machinery and equipment	<u>185,900</u>	<u>22,152</u>	<u>3,257</u>	<u>204,795</u>
Total accumulated depreciation	222,025	27,204	3,257	245,972
Total capital assets being depreciated - net	<u>175,506</u>	<u>58,669</u>	<u>1,506</u>	<u>232,669</u>
Governmental activities capital assets - net	<u>\$ 228,286</u>	<u>\$ 58,669</u>	<u>\$ 1,506</u>	<u>\$ 285,449</u>

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 4. FIXED ASSETS (Continued)**

***Business-Type Activities:***

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 17,100	\$ -	\$ -	\$ 17,100
Construction in progress	33,000	20,855	-	53,855
Total capital assets not being depreciated	50,100	20,855	-	70,955
Capital assets being depreciated:				
Buildings	252,664	-	-	252,664
Improvements	1,527,892	-	-	1,527,892
Machinery and equipment	2,124	-	-	2,124
Total capital assets being depreciated	1,782,680	-	-	1,782,680
Less accumulated depreciation:				
Buildings	209,321	5,931	-	215,252
Improvements	543,103	38,792	-	581,895
Machinery and equipment	2,124	-	-	2,124
Total accumulated depreciation	754,548	44,723	-	799,271
Business type activities capital assets - net	\$ 1,078,232	\$ (23,868)	\$ -	\$ 1,054,364

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	\$ 3,820
General government	13,260
Public safety	7,482
Streets and public works	2,642
Parks and recreation	27,204
Total governmental activities	\$ 27,204
Business-type activities:	\$ 29,777
Water utility	14,947
Sewer utility	44,724
Total business-type activities	\$ 44,724

See Independent Auditors' Report

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 5. LONG-TERM DEBT**

ENTERPRISE FUND

Revenue Bonds Payable

The following is a summary of the revenue bonds at June 30, 2006:

\$191,015 Water Bonds (Water Resources Board) Series 1999A, due in annual installments of \$11,890 to \$13,379 through January 1, 2020; interest at 2.72%.	\$143,000
\$220,985 Water Bonds (Water Resources Board) Series 1999B, due in annual installments of \$13,787 to \$15,142 through January 1, 2020; interest at 2.72%.	167,000
\$61,000 Water Bonds (Water Resources Board) due in annual installments of \$4,985 through January 1, 2012; interest at 5.00%.	22,339
\$200,000 Sewer Bonds (FHA) due in monthly installments of \$974 through January 1, 2023; interest at 5.00%.	<u>117,964</u>
Total revenue bonds payable	450,303
Current portion	<u>(27,348)</u>
Total long-term revenue bonds payable	<u>\$422,955</u>

All of the revenue bonds are secured by the funds' related monthly charges.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 5. LONG-TERM DEBT (Continued)**

Unsecured Note Payable

\$25,000 from Water Resources Board due in annual installments of \$5,000 through January 1, 2009.

\$20,000

Current portion

5,000

Long-term note payable

\$15,000

Changes in Long-Term Liabilities

During the year ended June 30, 2006, the following changes occurred in long-term liabilities:

**Business Type:**

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Notes payable	\$ 20,000	\$ -	\$ 5,000	15,000	5,000
Revenue bonds payable	<u>478,304</u>	<u>-</u>	<u>28,001</u>	<u>450,303</u>	<u>27,609</u>
Total	<u>\$ 498,304</u>	<u>\$ -</u>	<u>\$ 33,001</u>	<u>\$ 465,303</u>	<u>\$ 32,609</u>

See Independent Auditors' Report

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 5. LONG-TERM DEBT (Continued)**

Debt Service Requirements

The debt service requirements, including interest and principal, for long-term debt at June 30, 2006, are as follows:

Year Ending June 30	Business Type		
	Note Payable <u>Principal</u>	Revenue Bonds <u>Principal</u> <u>Interest</u>	
2007	\$ 5,000	\$ 27,609	\$ 15,313
2008	5,000	29,194	14,331
2009	5,000	30,711	13,297
2010	-	31,254	12,210
2011	-	32,825	11,095
2012 - 2016	-	154,573	39,334
2017 - 2021	-	144,137	11,590
2022 - 2026	-	-	-
Principal and interest	<u>\$ 15,000</u>	<u>\$ 450,303</u>	<u>\$ 117,170</u>

**NOTE 6. RETIREMENT PLANS**

Plan Description

Mantua Town contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with (without) Social Security coverage, which are for employers with (without) Social Security coverage cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Board (Board) whose members are appointed by the Governor.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 6. RETIREMENT PLANS (Continued)**

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System Mantua Town is required to contribute 11.09 percent of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage noncontributory division Mantua Town is required to contribute 19.34 percent of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Mantua, Utah, contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005 and 2004, were \$7,085, \$6,672 and \$5,523, respectively, and for the Public Safety Retirement System the contributions for June 30, 2006, 2005 and 2004, were \$7,025, \$5,687 and \$5,961, respectively. The contributions were equal to the required contributions for each year.

401(k) Plan

The Town participates in a 401(k) plan, a defined contribution plan, through the Utah State Retirement System. The employees may elect to have money withheld from their pay up to the amount allowed by the IRS.

Plan member contributions were \$3,600, \$4,400 and \$6,000 for the years ended June 30, 2006, 2005 and 2004, respectively.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 7. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 8. INTERFUND TRANSACTIONS**

Interfund balances of the Town, which represent payroll reimbursements to the general fund, consisted of the following at June 30, 2006:

**Interfund Receivable Payable:**

Receivable <u>Fund</u>	Payable <u>Fund</u>	<u>Amount</u>
General	Water	\$ 4,326
General	Sewer	<u>224</u>
		<u>\$ 4,550</u>

**NOTE 9. RISK MANAGEMENT**

Mantua is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through Utah Local Government Trust and a commercial policy (errors and omissions), and injuries to employees are insured through employees' workers compensation (additional assessments are not allowed). Settled claims have not exceeded the Town's insurance coverage for any of the past three years. For insured programs, there have been no significant reductions in insurance coverage.

*See Independent Auditors' Report*

**Mantua Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2006**

**NOTE 10. SUBSEQUENT EVENTS**

In December, 2006, the Town received a grant from the federal government for \$221,539 to help fund up to 95 percent of the purchase of a fire truck.

A bond for \$140,000 has been secured, together with a federal grant for \$465,000, to provide funds for the construction of a new water well. The grant may reimburse up to 75 percent of the construction costs.

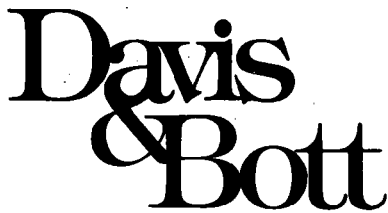
*See Independent Auditors' Report*

## **Required Supplementary Information**

**Mantua Town**  
**Budgetary Comparison Schedule (Unaudited)**  
**June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes				
Property	\$ 68,000	\$ 68,000	\$ 69,610	\$ 1,610
Sales and use	62,000	62,000	63,847	1,847
Other	-	-	13,538	13,538
Licenses and permits	6,500	6,500	9,384	2,884
Intergovernmental	54,000	119,000	114,581	(4,419)
Charges for services	203,500	204,500	135,978	(68,522)
Rental income	29,000	29,000	31,055	2,055
Miscellaneous revenue	11,450	11,450	28,462	17,012
Interest earnings	<u>2,200</u>	<u>2,200</u>	<u>4,256</u>	<u>2,056</u>
Total revenues	<u>436,650</u>	<u>502,650</u>	<u>470,711</u>	<u>(31,939)</u>
Expenditures:				
General government	312,480	298,824	288,891	9,933
Public safety	103,500	168,036	155,468	12,568
Streets and public works	92,000	92,000	34,266	57,734
Parks and recreation	<u>7,800</u>	<u>10,300</u>	<u>9,083</u>	<u>1,217</u>
Total expenditures	<u>515,780</u>	<u>569,160</u>	<u>487,708</u>	<u>81,452</u>
Excess of revenues over (under) expenditures	(79,130)	(66,510)	(16,997)	49,513
Other financing sources:				
Note proceeds	30,000	30,000	-	(30,000)
Transfers in (out)	<u>(3,750)</u>	<u>26,660</u>	<u>-</u>	<u>(26,660)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(52,880)	(9,850)	(16,997)	(7,147)
Fund balance - beginning	<u>101,165</u>	<u>101,165</u>	<u>101,165</u>	<u>-</u>
Fund balance - ending	<u>\$ 48,285</u>	<u>\$ 91,315</u>	<u>\$ 84,168</u>	<u>\$ (7,147)</u>

*See Independent Auditors' Report*



Certified Public Accountants, L.C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS**

The Honorable Mayor and  
Members of the Town Council  
Mantua, Utah 84324

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town of Mantua's basic financial statements and have issued our report thereon dated January 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mantua, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Mantua Town**

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
Governmental Auditing Standards**

**Page Two**

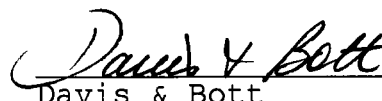
We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a few matters involving the internal control over financial reporting that we have reported to management of Mantua Town in a separate letter dated January 2, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Audit Standards*.

However, we noted immaterial instances of noncompliance that we have reported to management of Mantua, Utah, in a separate letter dated January 2, 2007.

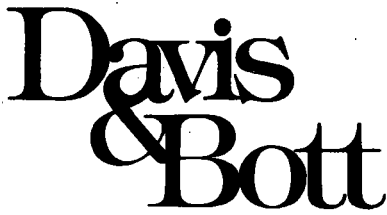
This report is intended solely for the information of management, the Town Council, and the various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
January 2, 2007



Certified Public Accountants, L.C.

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## AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and  
Members of the Town Council  
Mantua Town  
Mantua, Utah 84324

We have audited the financial statements of Mantua, Utah, for the year ended June 30, 2006, and have issued our report thereon dated January 2, 2007. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance program from the State of Utah:

- \* B & C Road Funds (Utah Department of Transportation)
- \* Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which was not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the Town's financial statements.)

- \* Fire Department Grant (Department of Natural Resources)
- \* Court Grant (Department of Corrections)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- \* Public Debt
- \* Cash Management
- \* Purchasing Requirements
- \* Budgetary Compliance
- \* Truth in Taxation & Property Tax Limitations
- \* Liquor Law Enforcement
- \* Justice Courts
- \* B & C Road Funds

Mantua Town  
Auditors' Report on State of Utah  
Legal Compliance  
Page Two

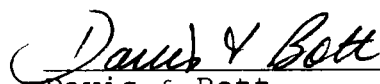
- \* Uniform Building Code Standards
- \* Other General Issues
- \* Impact fees

The management of Mantua, Utah, is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above that we have reported to management of Mantua, Utah, in a separate letter dated January 2, 2007.

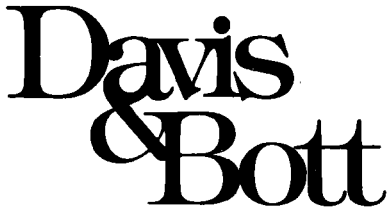
In our opinion, Mantua, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
January 2, 2007



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The Honorable Mayor and  
Members of the Mantua Town Council  
Mantua, Utah 84324

We have audited the financial statements of Mantua, Utah, for the year ended June 30, 2006, and have issued our report thereon dated January 2, 2007. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Mantua, Utah, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Mantua, Utah, taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Mantua, Utah, may occur and not be detected within a timely period:

#### **CURRENT RECOMMENDATIONS**

1. Issue - The transactions of a new bank account used for a Fire Department grant was not included in the financial records of the Town as the information was not provided to the Town clerk in a timely basis.

Recommendation - We recommend all transactions of the Town be included in the Town's financial records.

Response -The Town will include all of the Town's transactions.

2. Issue - The Town does not have a written purchasing policy.

Recommendation - We recommend the Town adopt a purchasing policy.

Response -The Town will adopt a purchasing policy that complies with state laws.

3. Issue - The Town does not have a formal capitalization policy to provide guidance and consistency in the capitalization of purchases.

Recommendation - We recommend the Town adopt a formal capitalization policy.

Response - The Town will adopt a formal capitalization policy.

### **CURRENT RECOMMENDATIONS (Continued)**

3. Issue - The amount of the treasurer's bond is less than the amount required by the state of Utah.

Recommendation - We recommend the Town increase the amount of the bond to comply with state law.

Response - The Town will increase the treasurer's bond to comply with state law.

### **PRIOR RECOMMENDATIONS**

#### **1. VALUATION OF ASSETS**

Issue - The Town does not have a current procedure for monitoring and valuing assets that developers are required to give to the Town. This can result in improper timing of the receipt of these items as well as their improper valuation.

Recommendation - We recommend the Town develop a system of monitoring and valuing donations from developers.

Response - The Town will develop a procedure for monitoring and valuing these donations.

Current Status - Not yet implemented.

#### **2. FINANCIAL DATA BACKUP**

Issue - The Town currently backs up their financial information at irregular intervals and stores the backup information in the Town Hall. If the Town Hall were destroyed, the backup would also be lost. This can result in a loss of financial information.

Recommendation - We recommend the Town perform backups of financial information on a regular basis and that these backups be kept off site to increase the likelihood the information would be available if needed.

Response - The Town will backup financial information on a regular basis and will keep the backups off site.

Current Status - Not yet implemented.

**PRIOR RECOMMENDATIONS (Continued)**

**3. SEGREGATION OF DUTIES**

Issue - Mantua Town has insufficient segregation of duties due to the small size of the entity.

Recommendation - We recommend the Town look at the cost versus the benefit of improving the segregation of duties.

Response - The Town will implement this recommendation.

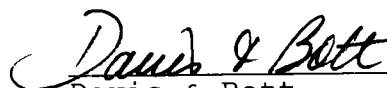
Current Status - Segregation of duties is still inadequate.

**CONCLUSION**

The matters discussed herein have been brought to the attention of responsible Town personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the Town's assets.



Davis & Bott

Certified Public Accountants, L.C.

January 2, 2007  
Brigham City, Utah